

AMENDED IN SENATE MARCH 16, 1998

SENATE BILL

No. 1624

Introduced by Senator Lewis

February 12, 1998

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An act to amend Section ~~18042~~ 18437 of the Financial Code, relating to industrial loan companies.

LEGISLATIVE COUNSEL'S DIGEST

SB 1624, as amended, Lewis. Industrial loan companies: ~~building construction~~ loans: residency.

*Existing law generally prohibits an industrial loan company from making loans to, or purchasing obligations from, persons who do not reside or have a place of business in this state unless those loans or obligations comply with specified conditions, or unless those loans and obligations do not exceed a specified amount of an industrial loan company's total assets. This requirement does not apply to loans made to, or acquired from, persons who do not reside or have a place of business in this state if, among other things, the loans are owned by an industrial loan company for 90 days or less.*

*This bill would increase that time period to 120 days or less.*

~~Existing law requires the authority of a  $\frac{3}{4}$  vote of all the directors of an industrial loan company in order to authorize the purchase of a lot and building necessary as premises for the transaction of business, or to authorize the construction of the building.~~

~~This bill would instead provide that this authority exists by a majority vote of all the directors.~~

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 ~~SECTION 1.—Section 18042 of the Financial Code is~~

2 *SECTION 1. Section 18437 of the Financial Code is*  
3 *amended to read:*

4 18437. (a) Except as provided in subdivision (b), an  
5 industrial loan company shall not make loans to, or  
6 purchase any obligations from, persons who do not reside  
7 or have a place of business in the State of California, unless  
8 those loans or obligations comply with all of the following  
9 conditions:

10 (1) If the loan or obligation is unsecured, then only if  
11 the loan or obligation bears the unqualified written  
12 guaranty of a financially responsible person, considering  
13 the amount of the obligation, who resides or has a place  
14 of business in the State of California.

15 (2) If the documents and security for the loan or  
16 obligation and all records relating to the transaction are  
17 in California at the time the loan or obligation is made or  
18 acquired and are thereafter kept in California while the  
19 loan or obligation remains unsatisfied, except that where  
20 the security is aircraft, the security need not be in  
21 California at the time the loan or obligation is made or  
22 acquired, nor need it thereafter be held in California  
23 while the loan or obligation remains unsatisfied.

24 (b) Notwithstanding subdivision (a), an industrial  
25 loan company may make loans to, or purchase any  
26 obligations from, persons who do not reside or have a  
27 place of business in the State of California not to exceed  
28 20 percent, in the aggregate, of an industrial loan  
29 company's total assets. Upon application to and approval  
30 by the commissioner, an industrial loan company may  
31 increase its loans to, or purchases of, obligations from  
32 persons who do not reside or have a place of business in  
33 this state not to exceed 40 percent, in the aggregate, of an  
34 industrial loan company's total assets. The application  
35 shall include all of the following information:

1 (1) A description of the company's proposed plan of  
2 business.

3 (2) The character, business qualifications, and other  
4 experience of the proposed officers and managers  
5 directing the line of business for which authorization is  
6 requested.

7 (3) Any other facts and circumstances bearing on the  
8 proposal that, as determined by the commissioner, may  
9 be relevant.

10 (c) This section does not apply to loans made to, or  
11 acquired from, persons who do not reside or have a place  
12 of business in this state if all of the following conditions are  
13 met:

14 (1) The loans are for the purchase or refinance of  
15 single- or multi-family residential property.

16 (2) The loans are saleable in the secondary market as  
17 evidenced by commitments to buy by a buyer in the  
18 secondary market.

19 (3) The loans are owned by the industrial loan  
20 company for 90 120 days or less.

21 amended to read:

22 ~~18042. The authority of a majority vote of all the~~  
23 ~~directors is necessary to authorize the purchase of a lot~~  
24 ~~and building necessary as premises for the transaction of~~  
25 ~~business as an industrial loan company or to authorize the~~  
26 ~~construction of that building.~~

